



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Katy Allen
Ralph G. Tonseth

SUBJECT: SEE BELOW

DATE: 05-05-04

Approved

Date

Council District: Citywide

**SUBJECT: NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT NORTH
CONCOURSE BUILDING SITE PREPARATION AND EXCAVATION (Package 1)**

RECOMMENDATION

Approval to reject all bids for the Norman Y. Mineta San José International Airport North Concourse Building Site Preparation and Excavation (Package 1) Project and authorization for the Director of Public Works to readvertise and rebid the project.

CEQA: Resolutions No. 67380 and 71451, PP 04-03-092.

BACKGROUND

In June 1997, the City of San José adopted the Airport Master Plan for Norman Y. Mineta San José International Airport, which consists of a phased program of facility improvements designed to fully accommodate commercial aviation demand for the year 2010. The Federal Aviation Administration approved the Master Plan in December 1999. The Airport Master Plan includes the replacement of existing Terminals A and C with a new Central Terminal, including a new North Concourse Building.

The City plans to implement the construction of the North Concourse Project in phases using a separate construction contracts for each phase. The Site Preparation and Excavation Package is the first major construction package for the North Concourse Project. The scope includes demolition, grading, excavation, shoring, dewatering, relocation of security fence and other associated miscellaneous work. This work will prepare the site for subsequent contracts.

Construction of the North Concourse Building follows Council's March 16, 2004 approval of Airport Security and Traffic Relief Act (ASTRA) compliance findings, a prerequisite to proceeding with terminal construction. In addition to ASTRA, the Municipal Code sets forth a number of conditions for terminal development, and all such conditions have been met.

The majority of the Municipal Code provisions applicable to development of the North Concourse Building and the City's compliance with those provisions are addressed in the Annual Status Report on the Airport Master Plan submitted to Council on March 24, 2004 (informational memorandum). The remaining Municipal Code provisions applicable to the development of the North Concourse Building and the City's compliance with those provisions are discussed as follows:

- Municipal Code Section 25.04.330-C requires: (a) a review to be conducted of the overall historical compliance of the potential airline or interested user(s) of proposed terminal facilities with the Airport Noise Control Program; and (b) that the results of this review shall be made available to Council for its consideration and deliberations prior to a decision to proceed with the development of a new terminal facility.
- While specific airline lease agreements or amendments related to airline use and occupancy of the North Concourse will be prepared at a later time, information on compliance of all airlines operating at the Airport with the Airport Noise Control Program is contained in the monthly noise reports prepared by the Airport and distributed to Council for its consideration, as well as in the annual Airport Noise Control Program compliance reports prepared and submitted to Council. The most recent monthly noise report (for February 2004) was submitted to Council on 4/6/04 and the most recent annual noise report was submitted to Council on 5/30/03.
- Municipal Code Section 25.04.330-D requires that a report containing updated activity levels including numbers of passengers, aircraft operations and fleet mix, cargo tonnage, Airport based general aviation aircraft, on-Airport parking statistics, and a comparison of such activity levels to the 1997 Airport Master Plan forecast be presented to Council prior to its consideration of a new terminal building.
- The Annual Status Report on the Airport Master Plan submitted to Council on 3/24/04, presents, assesses and compares Airport activity levels and forecasts, as required. In addition, the City's Monthly Financial Report, which is submitted to Council, documents current Airport activity levels and revenue results.
- Municipal Code Sections 25.04.350-A and 25.04.350-B provide: (a) that new terminal facilities shall only be constructed when the City has obtained and approved adequate written documentation which assures that the funding of the costs of development, maintenance, and operation of such facilities will be paid by the users of the facilities, in accordance with standard City-established airline rates and charges, agreements, and financing documentation, so as to continue existing City practice and policy that no City general funds are utilized for Airport development; and (b) that a review of the airline leases and rate-setting methodologies be conducted in order to assure that the agreements are appropriate to properly operate the Airport and to finance Airport projects in the 1997 Airport Master Plan.

- Consistent with these requirements, and as addressed under the “Cost Implications” section of this memorandum, construction of the North Concourse will be funded through the issuance of revenue bonds backed by Airport rates and charges and by other Airport revenue sources. Operation of the North Concourse will be funded through fees and charges collected by the City from airlines and other users of the facility. No City General Fund revenues will be utilized for development or operation of the North Concourse.

Municipal Code Section 25.04.350.A.(2) provides that new terminal facilities shall only be constructed when the City has obtained and approved adequate written documentation which assures that the City complies with Federal law and regulations pertaining to competition and to the City’s competition plan for the Airport:

- The City’s federally-required airline competition plan was most recently approved by the FAA in 2002.
- Municipal Code Section 25.04.1110 provides that a status report shall be made to Council on any plans to improve or modify certain designated Airport area intersections and freeway interchanges and potential means to fund such improvements prior to Council consideration of new terminal buildings.
 - The status of each Airport area roadway improvement designated in Municipal Code Section 25.04.1110 was most recently addressed in the Annual Airport Master Plan Status Report for 2003 (distributed to Council on 3/24/04) and in the joint Airport and Transportation Department report on ASTRA as approved by Council on March 16, 2004..

ANALYSIS

Bids were received on April 15, 2004 with the following results:

<u>Contractor</u>	<u>Total Bid</u>	<u>Variance Amount</u>	<u>Over/(Under) Percent</u>
Engineer’s Estimate	\$16,000,000	---	---
Granite Rock Pavex Construction (Redwood City)	\$12,740,000	\$3,260,000	(20)
Swinerton Builders (Santa Clara)	\$12,709,000	\$3,291,000	(20)
DeSilva Gates Construction (Dublin)	\$11,504,000	\$4,496,000	(28)
RGW Construction, Inc. (Livermore)	\$9,850,802	\$6,149,198	(38)

Subsequent to the bid opening, the City received written protests from the second low bidder and the listed shoring subcontractor on two of the four bids received.

General Contractors and subcontractors for the specialties of shoring, electrical, utilities and telecommunications were required to be prequalified by the City prior to bidding on the Project. The low bidder indicated on its bid that it would perform the shoring work on the Project, but the low bidder also listed a non-prequalified subcontractor for tiebacks. Although tiebacks are a component of the shoring work on the Project, the plans and specifications are silent on whether tiebacks are specifically to be provided by a prequalified subcontractor.

Council always has discretion to reject all bids and to re-advertise the Project. In order to assure that all bidders are treated fairly and on a level playing field, staff recommends that Council reject all bids and authorize the Director of Public Works to re-advertise and re-bid the Project. Staff has revised the plans and specifications to eliminate the requirement that shoring subcontractors be pre-qualified. This should simplify bidding regarding all components of shoring work required for the Project. With this change, it is not expected that bid price will change substantially. In an effort to award the contract as soon as possible, staff has proceeded to re-advertise the Project, subject to Council approval of this recommendation to reject all bids

PUBLIC OUTREACH

To solicit contractors, the Request for Prequalification Submittal and the project bid were listed on the City's Internet Bid Line, the Airport's web page and advertised in the *San José Post Record*. Bid packages for all public works projects are provided to various contractor organizations and builder's exchanges.

COORDINATION

This project and memorandum have been coordinated with the City Manager's Budget Office, the City Attorney's Office and the Departments of Finance and Planning, Building and Code Enforcement.

COST IMPLICATIONS

1. AMOUNT OF RECOMMENDATION: None

2. COST OF PROJECT:

Project Delivery	\$ 7,316,000	*
Construction	16,993,700	**
Contingency	<u>1,600,000</u>	
TOTAL	25,909,700	

* Cost includes geotechnical and environmental investigations and reports for the entire North Concourse Project as well as developing the construction management sections of the specifications for the entire project

** Includes the following estimated costs: \$16,000,000 for construction contract, \$126,000 for PG&E construction services; \$810,000 estimated for the cost of electricity during construction which will be paid by the City and \$57,700 for installation of a fire hydrant and supply line by San Jose Water Company.

3. **SOURCE OF FUNDING:** 520 – Airport Capital Improvement Fund
526 – Airport Revenue Bond Improvement Fund
527 – Airport Renewal and Replacement Fund
4. **FISCAL IMPACT:** This project is consistent with the Council-approved Budget Strategy Economic Recovery section in that it will spur construction spending in our local economy. The project has been reviewed and was determined that it will have no significant adverse impact on the General Fund operating budget.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC #	Total Appn.	Amount for Contract	2004-05 Proposed Budget Page	Last Budget Action (Date, Ord. No.)
520	4657	North Concourse Building	12744X	\$21,989,000	\$1,285,190	Page 64	10/14/03-Ord. No. 26997
526 (548)	4657	North Concourse Building	12744X	\$242,309,000	\$14,161,810	Page 64	10/14/03-Ord. No. 26997
527	4869	Master Plan Miscellaneous Precursor Projects	TBD	\$292,000	\$24,544	Page 63	2/17/04-Ord. No. 27074
526 (548)	4869	Master Plan Miscellaneous Precursor Projects	TBD	\$3,208,000	\$270,456	Page 63	2/17/04-Ord. No. 27074
526 (548)	4646	North Concourse Site Facility Relocations	12697X	\$507,000	\$258,000	Page 32	10/14/03-Ord. No. 26997
		Total		\$268,305,000	\$16,000,000		

An appropriation action requesting additional funding will be brought forward at time of award of contract."

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CEQA

Resolutions No. 67380 and 71451, PP 04-03-092.

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Director of Aviation

TF: CT:

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